

Clement adds new dimension to study of power

The Corporate Elite & US connection

by Ross Dawson

From the book *The Canadian Corporate Elite — an Analysis of Economic Power*, by Wallace Clement, that appeared three years ago, one could only conclude on the basis of his rigorous and documented research that Canada is an economic dictatorship, ruled by a small closed circle of financial and industrial capitalists.

"Top decision making positions in the economy and mass media in Canada," he wrote, "are dominated by a small upper class. Through dominant corporations they maintain a hierarchically ordered system by which they are able to extract surplus allowing them to continue and expand their control. This same surplus provides them with a life style much different than that experienced by the vast majority of Canadians and the privileges that accrue to them are passed on to their children."

He ended the prophetic sentence, "As long as corporate power is allowed to remain in its present concentrated state, there is no hope for equality of opportunity or equality of condition in Canada."

Since then the capitalist class, which Clement defines as not only the economic elite but includes all those "who own, control and/or manage (at a senior level) all corporations employing the labor of others, including their families" has got richer and indulges itself in ever more extravagant displays of its accumulated wealth.

Meanwhile inflation, aggravated by government imposed cutbacks in hard-won social legislation, and a freeze of wages, continues to gnaw away at and drive down the living conditions of the working class. And worse, over one and a quarter million have now been thrust out of the work force, in large part due to shut-downs of US branch plant operations such as INCO and Falconbridge, and deprived of even a source of income. Impoverishment and degradation widen as incredibly more and more plants that could produce needed goods are closed down.

That Clement's study, *The Canadian Corporate Elite* is firmly based on the economic reality of Canada, that it is grounded on a vast accumulation of empirical data, and what generalities it does draw flow simply and lucidly out of the logic and internal contradictions of this data, renders its conclusions largely unassailable by those economists and journalists who have prostituted their

skills to become apologists for the capitalist-inspired illusions of an open, expanding and increasingly equitable society.

That its conclusions are completely Marxist, that they affirm, not on the basis of a highly structured worked-out scheme, some select inviolable texts by Marx, Engels, Lenin or Trotsky, but on the basis of a study of contemporary Canadian empirical data, constitutes an all-the-more powerful affirmation of Marxism.

Nonetheless this book, which stands as the centerpiece in the accumulating studies of the Canadian political economy, roused uneasiness among some of the old and some of the growing number of new Marxists.

According to Robert Simms and Chris Schrenk, now associated with *Socialist Voice*, "Clement draws a conclusion that is at odds with those nationalists of the left who think that the corporate bosses in Canada are subservient and submissive to encroaching US capital." The evidence they think to be at odds with an opinion that they attribute to so-called left nationalists is flimsy to say the least! — a quotation: "the Canadian economy remains controlled in large part by a set of families who have been in the past and still remain at the core of the Canadian economy." Even more strange, they also allege that "Clement doesn't make plain in his book" that "there is a basic antagonism in Canadian society today between the capitalist ruling class in the Marxist sense and the working class."

Former Waffle leader Melville Watkins who thinks that Clement's new book has rectified the situation recalls in a recent issue of *Ontario Report* that he had interpreted the *Canadian Corporate Elite* as presenting an indigenous Canadian capitalist class and the US capitalist class, along with its comprador agents, as in "a full partnership."

In an evaluation appearing in the November 1975 issue of *Forward* we pointed to what we considered a weakness in the book. We said that it left "unsettled" a key question — the "question of US ownership and control of important sectors of the Canadian economy and its ramifications." In view of the great value of the book and Clement's assurance that he had two more studies in the works — one on the state system and another on the continental economy

of North America, we expressed impatience for "the second course of the feast."

It has now been served — in "Continental Corporate Power — economic linkages between Canada and the United States. And it is well worth all of our anticipations.

In *Continental Corporate Power* Clement comes to grips with the question of US ownership and control. With this new volume he gives the valuable material in his first one a context. He thereby raises his work as a whole to a higher plane. Together his two volumes now stand in an international, and above all, in a continental context which allows him to bring into play all the research of his peers, in particular the two volume *History of Canadian Business* by Tom Naylor (1975) along with *Partner to Behemoth — the military policy of a satellite Canada* — by John Warnock (1970) and the essays contained in *Canada Limited*, the

structure and provides some of the key materials to resolve the many political questions that have been the subject of contention within the Canadian Left.

Even given the overall value of the book, there are several sections that are really outstanding. In Part II of Chapter I Clement outlines the power of the corporation in contemporary capitalist society — the power base of the corporate elite and the capitalist class as a whole. Anyone who thinks that changes of any significance can be brought about without coming to grips with this all-pervasive and all-powerful institution, without upending the whole system that is based on the private ownership of the key means of production, and the establishment of a planned economy based on production for use under workers' control, could profitably ponder over these four pages.

Chapter III — Setting the Stage for a Continental Economy — is a major historical essay on the evolution of Canadian capitalism and a classic study in the application of the laws of uneven and combined development. In the latter chapters of the book Clement makes a detailed, innovative and rigorous analysis of continental corporate structures, of corporate concentration in the US and Canada, the dominant US corporations and their relations with Canadian corporations, and the interlocking of their directorships — their continental connections.

Rather than attempt to condense or paraphrase what we consider the most important sections of the book we are taking the liberty of excerpting some of Clement's key conclusions in the hope that they will stimulate a wide circulation of the book itself.

Canada as a US dependency

"Canada is an independent nation-state enveloped by spill-over from the most powerful capitalist society in the world, which includes some of the costs and benefits of that society's wealth. While Canada's economy is largely controlled and shaped by US capitalists, these capitalists do not operate in a complete power vacuum in Canada. What has been forged over the past century is an alliance between the leading elements of Canadian and US capital that reinforces mutually the power



Wallace Clement

policy of dependency (1973), *Close the 49th Parallel* (1970), etc. etc.

As long as the debate on Canada-US relations lacked such a setting and did not develop from an historical analysis of the evolution of the political economy of Canada it remained fragmented and lacked coherency. By making this book a study of Canada's place within a system of continental capitalism, by analyzing the developments of the US economy and its power structure, especially as they have affected Canada's economy and social structure, Clement lays the basis for arriving at a correct understanding of the Canadian economic and power

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and advantage of each ... This is an unequal alliance ... Canada's economy has been shaped to conform to the dominance of the United States."

"Canada cannot be characterized as an advanced independent capitalist society nor can it be grouped with the various peripheral nations often called 'The Third World' although it shares some traits of each type."

"Canada is a secondary power in the world economic order and has a distorted economic system because of its colonial origins and because its industrialization proceeded in the shadow of an industrial giant — shirt-tail development."

"Canada is a developed economy but underdeveloped industrially. Canada is, compared to underdeveloped societies, 'an affluent annex' in the sense of being a subsidiary or supplementary structure of the United States."

"When Canada is referred to as an

industrialized society, what is really meant is that part of it is industrialized — the rest is more aptly characterized as a resources hinterland."

"Since Canada's economy is at once developed and underdeveloped its economic elite is both powerful and dependent. To reduce the question to whether Canada is 'exploited or exploiter' dismisses the fact that its elite exhibits both qualities."

"The upshot is that the power of Canadians to make decisions about specific economic activities in Canada has regressed to a state of underdevelopment (although not total underdevelopment of 'material well-being') with control over future

between type; that is, much of this investment flows from firms in Canada which in turn are subsidiaries of other companies controlled outside Canada."

"Outside of bank and insurance and a few specific areas Canadian indigenous capitalism is not strong internationally although it does have an international presence. But within banking it is important."

"Overall, however, it would not be correct to view Canadian capitalists as imperialists in their own right. To the extent that they have participated in foreign investment, it has been largely in the remnants of the old British Empire and in the backwash of the United States. In some areas, particularly banking and life insurance, they have become important international actors, but not on the scale, or with political-military support from the Canadian state that could be considered independently imperialist. Were the United States umbrella to collapse, as the British Empire did earlier, they would be caught in the downpour."

Canada-US Integration

"Canada is integrated with the United States not just on the economic level as recipient of a large volume of United States investment. The relationship also involved a good many Canadian capitalists whether elite members or managers who have benefitted by this arrangement. They project an ideology of internationalism and related to it an ideology of corporate capitalism."

"...multinationals corporations do not internationalize their own managements but they do denationalize a part of the national elite."

"An outstanding feature of these continental ties is the effect of economic sectors. They suggest that the financial-industrial axis is continental for Canada but national within the United States. The ties also reflect a pattern in which a segment of Canada's elite has been drawn into the inner circle of the US elite. While a segment of Canada's elite has gained continental power, Canadian society has been drawn into a relationship of dependence on the United States."

The State

"The state did not simply sit by while these developments transpired. It intervened on behalf of the industry ... Who controlled the pulp and paper industry? A good deal was

US controlled with some Canadian participation ... Only in production of hydro-electric power did the state resist US ownership. The resource industries, particularly pulp and paper, mining and aluminum, were the more active protagonists of cheap efficient power. Beginning with Ontario and over the years in most other areas the provinces took the lead in providing hydro-electric power. Why did the state take this action? The most thorough analysis of this question has been provided by H. Nelles, and his answer is clear: Power is far too precious as an agent of industrial expansion to be left under the control of monopoly capital, Canadian or American. As it had been with canals, and railways, the state would be the initiator of the necessary infrastructure of economic activity; it would provide the necessary conditions for private capital accumulation."

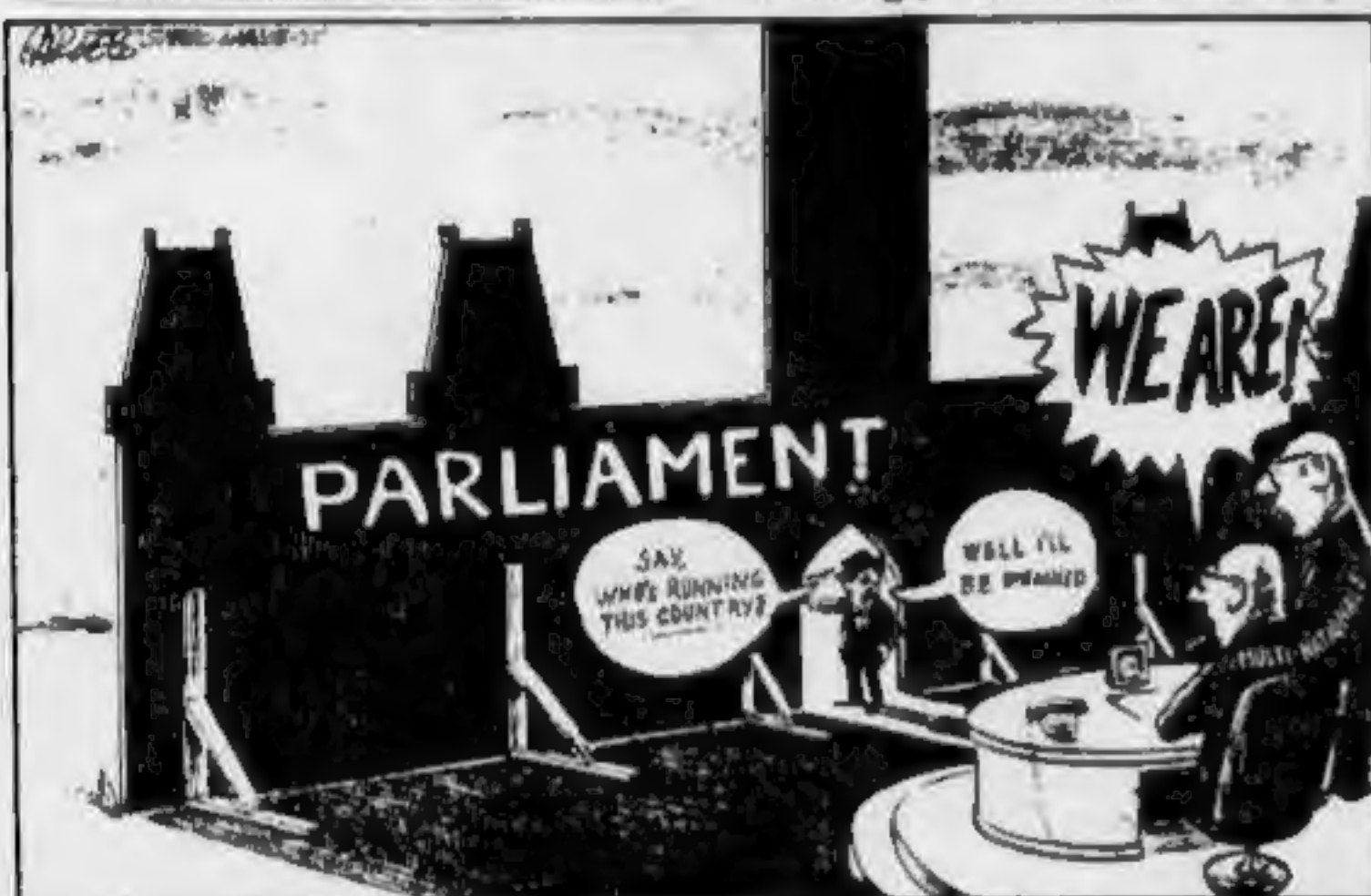
"Furthermore the conscious effort by US capitalists and their government was met by a like-minded Canadian state.... C.D. Howe, the great 'salesman' said in a speech in Boston in 1954, 'Canada has welcomed the participation of American and other foreign capital in its industrial expansion. In Canada, foreign investors are treated the same as domestic investors.' Prime Minister Louis St-Laurent also supported Howe's position, arguing that foreign capital somehow became 'nationalized' once it had entered Canada."

"The political boundary between Canada and the United States has not, however, been an impediment to the penetration of the sphere of production in Canada by US foreign investment (although circulation, the protested.) The fact of such extensive US investment reflects political decisions to allow and encourage such a pattern of development. The system has emerged not in spite of politicians but because they have permitted it. Conversely, since they have allowed these events to occur, the national independence has been decreased and much of the control over Canada's economy has been allowed to shift outside the country to the board rooms of US corporations."

National sovereignty

"Certainly in the public domain the de facto rights of sovereignty are intact. But in liberal democracies, there is a very large area of private control beyond the public domain and it is in this area that sovereignty has been eroded. It is only because of the public/private split of liberal democracies that foreign dominance can prevail in one domain but only to a lesser extent in the other. How far can foreign dominance be allowed to go? Is the public domain not influenced by what happens in the private sphere? Most certainly it is, and when levels of foreign ownership become high the result is erosion of the autonomy of the state itself."

"The basic concern over foreign investment is that power is exercised in the board rooms of the multi-



development and stability lost because of the lack of an indigenously controlled base in manufacturing and resources ... The resulting fragmentation of the capitalist class does not mean that the whole class is not still powerful vis-a-vis the working class — indeed it may well have gained power because of its alliance with US capitalists in the continental context."

"...Canada's reliance on the United States has steadily increased and its other outside relations have declined dramatically ... Canada cannot easily withdraw from the continental economy and shift its trade elsewhere because now, unlike earlier periods, much of its 'trade' consists of intracompany transfers to United States parents. Canada is, therefore, locked into the continental economy, even if other nations challenge the world hegemony of the United States."

Canada as Imperialist

"...a great deal of 'Canadian' foreign investment in the Third World and elsewhere is of this go-

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US ownership & control a dead end — Blakeney

Saskatchewan NDP Premier Allan Blakeney posed to the Canada West Alternatives Conference on Confederation in Banff, as a major issue before the country, foreign U.S. ownership and control of the economy.

He scored unnamed political leaders, who everyone knows include Liberal federal Finance Minister Chretien and Tory Ontario Treasurer McKeough, for beating the drum for increased U.S. investments.

"How naive and short-sighted we have become," he said. "How often must the cost of foreign ownership and control be totalled up before we finally conclude that such a road is a dead-end—not only economically but politically and culturally as well."

Blakeney projected no program that would place the working people of Canada in control of their economic destiny. And blocking Quebec sovereignty-association motivated his taking up the question. But then it was the outrageous blackmailing by the U.S. potash moguls that forced his government to overcome its reluctance to place the key sectors of the Saskatchewan potash industry under public ownership. Can we anticipate that mounting unemployment, in part due to closure of U.S. branch plant operations, could push Blakeney and the pusillanimous NDP leadership to campaign for the public ownership of major closed-down plants and their retooling for production of goods that Canadians can use or could market in other parts of the world? They could be bought out, if thought necessary, following deduction of all the grants handed out to them and, when possible, through long term debentures.

nationals, out of reach of Canadians. Decisions on trade, employment, research and development, promotion of management, and investment are all beyond the control of Canadians. But is this really a consequence of foreign investment or of private investment? How much more control do the vast majority of Canadians have over the Royal Bank, Sun Life, Stelco, Eatons, or MacMillan Bloedel than they have over General Motors of Canada, Imperial Oil, Kresge's, Crown Zellerbach, or Canadian General Electric? Is it justifiable to call for decreasing foreign investment in the name of the Canadian people? To some extent, yes, the claim is justifiable because Canadian-based companies are potentially more susceptible to state regulation."

Consistent readers of *Forward* will be aware that the above quoted conclusions drawn by Clement are substantially the same as the views that have been advanced in the pages of *Forward* since its launching some four years ago. That holds true with Clement's last sentence too — "As long as the dominant mode of ownership continues to be private, the power of the economic elite will continue to dominate at the expense of the citizenry." The widening call for the public ownership of such operations as INCO in Sudbury is proof of an increasing awareness of that fact.

Where to go for Cdn info

A heavy cloak of secrecy surrounds the giant corporations that make all the key decisions in capitalist society. Canadians know less than Americans, even when it comes to those corporations that fly the Canadian flag. And as far as the Trudeau government is concerned even the few bits of information that US government regulations demand as a matter of course are positively dangerous to our peace of mind.

US regulations require that officers and directors of public companies earning more than \$40,000 a year, whose shares are traded in the US, have to disclose their salaries. Of course the law is applied flexibly — so flexibly that when a request for disclosure under the US Freedom of Information Act was filed the chief Canadian Pacific Railways executive officer, Ian Sinclair, the same who is bandstanding the withdrawal of Sun

Life from Quebec, bet a Canadian newspaperman a \$200 dinner that his salary would never be disclosed.

The CP got special dispensation according to a SEC release, when among its arguments was one of principle — that revelation of the salaries of its executives would play into the hands of those Canadians who favor public ownership against private ownership. But US SEC officials saw things differently when the publicly-owned CNR came to sell 100 million dollars worth of debentures on the US market. Canada's Transport Minister Otto Lang felt compelled to intervene with a special plea for exemption. Among his arguments was that: "Obviously disclosure in the US would destroy confidentiality in Canada."

On this occasion SEC officials did not grant exemption and now, thanks to US law and the vagaries of its enforcers, we Canadians know that the wages we paid to the CNR president in 1975 were \$80,000, to the chairman \$65,000 and to the three vice-presidents \$73,000 each. You can only imagine what we don't know about this giant conspiracy against the public

Fishermen challenging Ottawa's selling-out of Canadian sovereignty

Both the establishment of national sovereignty over the new 200 mile limit defining Canadian territorial waters and the role of foreign investment inside these waters are rousing the grave concern of fishermen on both the West and East coasts.

George Hewison, secretary-treasurer of the United Fishermen and Allied Workers Union, has accused Ottawa of selling out the industry in BC to US business interests. Federal negotiators are "bending over backwards to accommodate the Americans," he charges, in the high level talks which will determine new territorial waters for US and Canadian fishermen. When Washington declared the boundaries of US territorial waters last year, the new boundary for the US fishing zone ran through the middle of the Dixon Entrance at the top of the Queen Charlotte Islands, although the BC government had requested that the boundary follow, as on the East Coast, the continental shelf, and extend into the Gulf of Alaska.

The 200 mile limit on the East Coast, ostensibly designed to halt the destruction of the Grand Banks

through overfishing, and the faltering processing industry, some of it co-op owned, may only end up serving the interests of such West German fishing companies as Nordsee, a subsidiary of the giant multinational Unilever Corporation.

Nordsee has put in a bid to buy up a part-time fish plant at Harbour Grace which another Unilever subsidiary closed down in the 1960s with a loss of 800 jobs. It plans to operate with five deep sea trawlers which would knock out the small inshore boat operators now supplying the plant.



Paul Chaisson, pres of Local 10 MFU

Richard Cashin, head of the Newfoundland Food and Allied Workers Union, charges that the deal would violate the very concept of the 200 mile limit and has attacked the Newfoundland government for its "colonial mentality." He warns that Newfoundlanders are destined to become nothing more than "white coolies" if the deal goes through.

NDP leader Ed Broadbent has joined the protest. While no one knows who will get the jobs on the five trawlers, he said, "I do know that if these trawlers are allowed to fish offshore cod stocks, the inshore fishing will be crippled."

Federal Fisheries Minister LeBlanc, expressing opposition to any "back door" takeover, suggested that there may be legislation to make large fishing companies divest themselves of fishing boats in the hope of increasing price competition to the advantage of the fishermen. But the obvious answer is to place this national resource industry under public ownership and planned development so that Maritime fishermen, who have been under the squeeze of the packers and processors for generations, could have a decent life.